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C O N F I D E N T I A L SECTION 01 OF 02 ASUNCION 001137

SIPDIS

DEPT OF JUSTICE FOR OPDAT
DEPT OF TREASURY FOR OTA

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TAGS: [PGOV](#) [PREL](#) [PTER](#) [KCRM](#) [PA](#)

SUBJECT: PARAGUAY: BRINGING UN CTC PRESSURE TO BEAR UPON
PRESIDENT DUARTE AT UPCOMING UNGA

REF: A. ASUNCION 1066

[B](#). ASUNCION 0875

[C](#). 2004 ASUNCION 1525

Classified By: PolCoun James P. Merz for reasons 1.4 (b) and (d).

[1](#). (U) Action Request. See para. 2 and 8.

[2](#). (C) Summary. GOP adoption of key anti-money laundering (AML) and counter terrorism (CT) legislation represents a high USG priority given concerns about money laundering and counter terror financing in the Tri-Border Area (TBA). Money laundering legislation has languished in the Congress since May 2004; counter-terror legislation may soon be introduced to Congress but we don't expect it will receive immediate attention. Post continues to press Paraguayan legislators and the President to move on this legislation. However, it is essential our quiet pressure behind the scenes be reinforced by greater pressure from the international community. President Duarte will travel to New York the week of 9/12 to serve as UNGA Vice President. Post requests the Department/USUN consider approaching the CTC President about meeting with President Duarte to convey concerns about delays in adopting these laws. End Summary.

[3](#). (C) Combating money laundering and terrorist financing emanating from the TBA represents a top MPP priority. Paraguay's legal framework does not provide law enforcement authorities the tools they need to adequately investigate and prosecute these crimes. Post's Resident Legal Advisor (RLA) (please protect) contributed substantively to the drafting of legislation to modify the existing money laundering law, which is grossly deficient, as well as produce a counter terrorism law to ensure both satisfy international obligations. A team of experts from the UNCTC, UNODC, UNCHR, and OAS/CICTE visited Paraguay in December 2004. They applauded the drafts of both laws and prodded Paraguay to move quickly to adopt and implement them (ref. C).

[4](#). (C) Post meets regularly with key politicians to advocate adoption of the AML bill which was submitted to the Senate Finance and Legislation Committees in May 2004. At our prodding, key Senators will meet with experts on the AML to address concerns they have about the bill. Post and visiting USG officials, including most recently Acting A/S for Enforcement from Treasury Daniel Glaser, have advocated privately for adoption of the AML bill with key government officials including the Ministers of Finance, Commerce and Industry, and Justice and Labor as well as the new Attorney General and the Director of the Anti-Drug Secretariat. They have all conveyed privately support for the AML bill. President Duarte has conveyed publicly his support for the AML bill. However, despite the fact that his party (the Colorado Party) commands a majority coalition in both houses of Congress, we have observed no support emanating from his party for the AML bill. To the contrary, some Embassy contacts have advised us discreetly that key Colorado senators oppose the AML bill out of concern it will undermine personal financial or political interests.

[5](#). (C) In June and August, Post participated in telephone conference calls with representatives from a variety of organizations, including most recently the CTC with a view to bringing more international pressure to bear on Paraguay. In July, we understand the CTC President met with Paraguay's UN Permrep to discuss concerns about the failure to move on the AML and CT bills. We are aware Paraguay's UN Permrep recently traveled to Asuncion to discuss this matter inter alia with the MFA and the Vice-President (ref. A). Separately, in July, the Ambassador met with Vice President Castiglioni calling for progress in moving the AML and CT bills to avoid the possibility President Duarte could come up for criticism on these matters when he travels to New York in September as the UNGA Vice-President.

[6](#). (C) On 8/24, Supreme Court President Antonio Fretes told Polcouns that President Duarte planned to submit the draft counter terrorism law to Congress so Paraguay could argue to the UN it had made progress since last December's CTC visit. Post would consider this step underwhelming. The CT bill will surely prove controversial given concerns in some quarters that it will give the government authorities

which can be used against the opposition, akin to the Stroessner dictatorship. In the past, Fretes has argued against submitting the CT bill until at least the Senate had passed the AML so as to avoid any connection between the two. We saw the logic in that approach. Now, in an effort to demonstrate progress to the UN, Fretes has signaled GOP readiness to submit the CT to bill to Congress even though there has been no movement on the AML bill. To assuage our concerns, Fretes told Polcouns ~ to worry⁸ as he did not expect the CT bill to be considered seriously in the near future. This perspective only reinforces our concern the GOP envisions no real movement on this bill in the near term future. September 8th DCM urged new Attorney General Candia to press for AML legislation within the executive and congress.

17. (C) We do not believe Paraguay should get off the hook for merely submitting the CT bill to Congress, particularly in view of its failure to move the AML bill out of Senate Committee. Rather, we think it would be useful to bring more pressure to bear upon Duarte during his time in New York the week of 9/12 as UNGA Vice President. Per our August telcon, CTC official Sergey Karev conveyed willingness on the part of the CTC to consider having the CTC President meet with Duarte to convey concern about the lack of progress in adopting the AML and CT bills and to propose a visit for sometime in October for the purpose of evaluating progress. Post believes delivery of this message to Duarte will register a significant impact and will reinforce our efforts to prod him to argue for the support of key politicians from his own party. In the meantime, the Ambassador is seeking an opportunity to raise this with the President.

18. (C) Action Request: Post requests Department/USUN consider requesting the CTC President meet with Paraguayan President Duarte during his visit to New York to convey concerns about the lack of progress on the key AML and CT bills and to seek a follow on visit to Paraguay to assess progress. Pressure from international organizations carries weight in Paraguay and is less likely to produce counter productive and nationalist reactions.

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